

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
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**FISCAL IMPACT STATEMENT**

**LS 7202**

**BILL NUMBER:** SB 465

**DATE PREPARED:** Jan 10, 2002

**BILL AMENDED:**

**SUBJECT:** Elimination of General School Operating Levies.

**FISCAL ANALYST:** Chuck Mayfield

**PHONE NUMBER:** 232-4825

**FUNDS AFFECTED:** ☒ **GENERAL**  
☒ **DEDICATED**  
**FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** This bill eliminates the authority of a school corporation to levy a property tax for its general fund. It provides for full state funding of tuition support to school corporations. The bill repeals: (1) an obsolete application clause; (2) an obsolete law providing for a supplemental school operating reserve fund levy to repay tuition support advances made in 1972; (3) the general power of the Indianapolis Public Schools to impose an emergency levy for its general fund; and (4) a provision concerning revenue anticipation warrants for school towns and school cities that is more restrictive than the general provision applying to all school corporations. It makes other related changes.

**Effective Date:** Upon passage; July 1, 2002; January 1, 2003.

**Explanation of State Expenditures:** (Revised) *Summary:* This bill eliminates the school general fund levy and makes a one time distribution Excise Taxes to school general funds. The net increase in state expenditures is approximately \$830.98 M in FY 2003 and \$1,674.35 M in FY 2004.

***School Levy:*** This bill reduces school general fund property tax levies for CY 2003 by \$1,778.2 M and the amount of Motor Vehicle Excise Taxes and Financial Institutions Tax (FIT) that is distributed to schools by \$220.4 M. The CY 2003 state school formula spending limit is increased to offset the reduction in the levies and Motor Vehicle Excise Taxes and FIT. The state captures the reduction in Motor Vehicle Excise Tax and FIT due to reductions in the levies as state General Fund revenue. The net impact of the provision is the decrease in the school general fund levies. The bill does not increase the FY 2003 appropriation for tuition support. Without an increase in the appropriation, the state tuition support distribution for FY 2003 would have to be reduced by \$999.3 M to keep the distribution within the current appropriation. The estimated increase in state funding needed for FY 2003 is \$999.3 M (½ of the CY 2003 amount of \$1,998.6 M). Currently, no school formula exists for CY 2004. Assuming that the CY 2004 formula would continue the CY 2003 trend of providing 100% state funding, the increase in tuition support responsibility for FY 2004 would be \$2,025.3 M (½ of the CY 2003 amount of \$1,998.6 M and ½ of the CY 2004 amount of \$2,052 M).

<b>School Funding Calendar Year Projections</b>		<b>2002</b>	<b>2003</b>	<b>2004</b>
State Support	Bill	\$3,471,100,000	\$5,592,800,000	\$5,743,900,000
	Current	3,471,100,000	3,594,200,000	3,691,900,000
	Difference		1,998,600,000	2,052,000,000
Property Taxes	Bill	1,717,900,000	0	0
	Current	1,717,900,000	1,778,200,000	1,826,300,000
	Difference		(1,778,200,000)	(1,826,300,000)
Motor Vehicle Excise & FIT	Bill	215,300,000	0	0
	Current	215,300,000	220,400,000	225,700,000
	Difference		(220,400,000)	(225,700,000)
Total	Bill	5,404,300,000	5,592,800,000	5,743,900,000
	Current	5,404,300,000	5,592,800,000	5,743,900,000
	Difference		0	0

***PTRC:*** The reduction in the school general fund levies would reduce the state distribution of Property Tax Replacement Credits by approximately \$177.82 M for FY 2003 (½ of the CY 2003 reduction of \$355.64 M) and \$360.45 M for FY 2004 ( ½ of the CY 2003 reduction of \$355.64 M and ½ of the CY 2004 reduction of \$365.26 M).

***Excise Taxes:*** The bill provides a one-time distribution to schools in CY 2003 equal to amount of the Commercial Vehicle Excise Tax, Aircraft Excise Tax, Auto Rental Excise Tax, and Boat Excise Tax the school received in CY 2002. The amount of the distribution should be about \$19 M. This would amount to \$9.5 M in FY 2003 and \$9.5 M in FY 2004. After CY 2003, the state would retain this share of the Excise Tax revenue.

**Explanation of State Revenues:** The bill redirects the Excise Taxes and Financial Institutions Tax that previously went to the school general funds to the state by creating the miscellaneous tax allocation formula. The increase in revenue is estimated to be \$110.2 M for FY 2003 and \$223.1 M for FY 2004. (These numbers are accounted for in the net increase in state expenditures needed to replace the school general fund levies.)

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** The reductions in property taxes and Motor Vehicle Excise Tax and FIT revenues are offset by increased state tuition support funding. The bill provides a special distribution of Commercial Vehicle Excise Tax, Aircraft Excise Tax, Auto Rental Excise Tax, and Boat Excise Tax in the amount that the school received in CY 2002. The amount of the revenue should be about \$19 M. This would be considered miscellaneous revenue deposited in the school general fund for CY 2003.

**State Agencies Affected:** Department of Local Government Finance.

**Local Agencies Affected:** Local Schools.

**Information Sources:** School Finance Databases.